



Bulletin

2003-19B

DEFERRAL OF PART OF PENSION COST IN FY04 and FY05

TO: Mayors and Selectmen City and Town Managers
 Boards of Assessors Executive Secretaries and Finance Directors
 Auditor and Accountants City Solicitors and Town Counsel
 Collectors and Treasurers

FROM: James R. Johnson, Director of Accounts

DATE: October 15, 2003

SUBJECT: Deferral of Portion of Pension Cost in FY04 and FY05

This *Bulletin* presents details on the option that was enacted in the Municipal Relief package, Chapter 46 §128 of the Acts of 2003. The Public Employee Retirement Administration Commission (PERAC) published its memorandum No. 26-2003 on August 6 to Retirement Boards on this subject. In addition, PERAC conducted six seminars for retirement boards and municipal officials in late August and throughout September.

Acceptance is by the mayor and council in a city or the selectmen and town meeting or town council in a town. A separate vote should reflect the reduction of the pension appropriation and other appropriations increased or decreased and reflected on the tax rate recapitulation for FY04.

An acceptance form is attached which should be completed and submitted to PERAC and DOR for approval, then attached to the FY04 tax rate recapitulation after approval by the two agencies. References below are to the lines on this acceptance form.

A city or town may reduce its appropriation for its pension liability in FY04 and FY05, subject to three limits:

- The pension appropriation may not be less than the “normal cost” component of the funding schedule (lines C, D and E), and
- The local aid reduction may be the larger of the local aid reductions for lottery, additional assistance, and the two education accounts listed on the form, or of the reductions for lottery and additional assistance alone (lines G 1 to 7),
- The deferral is limited to the lesser of the amounts produced by the first two tests (line H).

The local aid reductions are measured between the amounts set forth in section 3 of the original state budget for FY03 (Chapter 184 of the Acts of 2002) and section 3 of the state budget for FY04 (Chapter 26 of the Acts of 2003). The FY03 amounts are prior to the aid reductions implemented pursuant to General Laws Chapter 29 §9C, and therefore result in the largest reduction that could be presented.

The section contains provisions (reflected in lines F 1 to 3) precluding use of this option if a city or town has funds in a “special statutory reserve” which meet certain criteria. This provision relates to mandatory fiscal stability funds which have been required in special acts authorizing issuance of deficit bonds or notes; the provision does not refer to a stabilization fund maintained under provisions of Chapter 40 §5B.

Cities and towns considering use of this option in setting the FY04 tax rate should consider the time frame for mailing of bills to be enforceable on the statutory due dates for quarterly or semiannual tax bills, timing of the classification hearing, and the like. In particular, towns should consider the notice needed for a special town meeting and the need to include an article in the warrant.

Cities and towns contemplating adoption for FY05 would take the needed actions as part of the city or town budget process in the spring of 2004.

The PERAC memorandum emphasizes that payback of the deferral would be reflected beginning in the funding schedule for FY06.

A city or town considering this option should work closely with its city or town, or its county or regional, retirement system in completing the form. PERAC will primarily review lines C, D and E, and DOR will primarily review sections F, G and H. The two agencies will consult if necessary, since approval by the two agencies is required, as indicated above.

Please contact the Bureau of Accounts field representative assigned to your city or town with any questions.

PENSION DEFERRAL ACCEPTANCE
(Ch. 46 §128 of the Acts of 2003)

City/Town of _____

FY 2004

(FY2005 will be determined in the budget process in the Spring of 2004)

Instructions:

File with DOR, DLS, Bureau of Accounts and PERAC

Attach copy signed by both agencies to Tax Rate Recapitulation.

A. Acceptance. Attach copy of action by Mayor and Council or Selectmen and Town Meeting.

B. FY03 data: Enacted Appropriations (Recap line IIa) \$ _____

C. FY04: Pension assessment from PERAC funding schedule \$ _____

D. FY04 "Normal Cost" included in Line C above \$ _____

E. Maximum deferral based on funding schedule (line C less Line D) \$ _____

F. Availability of statutory emergency reserve:

1. "Special Statutory Emergency Reserve" balance as of 6/30/0 \$ _____

2. FY03 departmental appropriations, except schools, times 2.5% \$ _____

3. Difference (Line 1 less Line 2) \$ _____

NOTE: If Line 3 is positive, deferral cannot be implemented.

G. Maximum Deferral based on local aid reductions:

	FY03	FY04	FY03 less FY04
1. Chapter 70 Aid	_____	_____	_____
2. Reduce Class Size Aid	_____	xxx	_____
3. Additional Assistance	_____	_____	_____
4. Lottery Distribution	_____	_____	_____
5. Total of lines 3 and 4	xxx	xxx	_____
6. Total of lines 1 to 4	xxx	xxx	_____

7. Local aid formula maximum deferral for FY04 (cannot exceed greater of Line 5 *or* Line 6). \$ _____

H. Amount voted to be deferred for FY04 – not to exceed lesser of Line E or Line G 7. \$ _____

Submitted by: _____
Name Title

Phone: (____) _____

Approved by: _____
Director of Accounts, DOR Executive Director, PERAC